



S Corporation Association Update

February 6, 2019

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1. 199A Pass-Through Deduction Rules Finalized

Brian Reardon, BReardon@S-Corp.org

Treasury did a great job of getting a workable set of rules based on a very complicated law out the door quickly. They also embraced some very taxpayer-friendly ideas, like the ability to aggregate multiple businesses together when calculating the deduction in certain circumstances, as well as the option to calculate the deduction at the entity, rather than the taxpayer, level. These are welcome and will help make the 199A deduction workable for most businesses.

That said, there were many details that we hoped Treasury would improve in the final rules. The aggregation rules are still too restrictive, and the imposition of a two-tiered de minimis threshold is simply too low and could give rise to needlessly complexities.

Read the full *Washington Wire* [here](#).

2. Pass-Throughs Under Attack!

Brian Reardon, BReardon@S-Corp.org

How do you justify ridiculously high tax rates and economy destroying wealth taxes? Try smearing pass-through business owners by comparing them to Leona Helmsley, the infamous billionaire “Queen of Mean” who allegedly claimed that “only the little people pay taxes” and served time for tax evasion. That’s what an economist at Stanford tried to do. But Helmsley used a *C corporation* to [cheat](#). Whoops. The rest of the [paper](#) is similarly misguided.

3. S-Corp In the News

Brian Reardon, BReardon@S-Corp.org

“Too Wealthy for New Tax Write-Off? Just Fund Your Retirement Plan” (Feb. 4, 2019)

Tax planners are eyeing a way to help upper-middle-income clients, such as doctors, accountants, and lawyers, cash in on one of the 2017 tax overhaul’s perks for business

owners—even if they're above the level of income at which the law's restriction on the benefit kicks in...

If taxpayers don't take advantage of the strategy, the marginal tax rate on a few extra thousand dollars could be upwards of 50 or 60 percent. The tax filing season began Jan. 28 and is the first under which the bulk of the new tax law's changes will apply.

"Where you'd expect to see lots of tax planning is right around the thresholds," said Brian Reardon, president of the S Corporation Association and former special assistant for economic policy to President George W. Bush.

Read the full Bloomberg article [here](#).

4. Social Media Update

Chris Smith, CSmith@MainStreetEmployers.org, [@MainStEmployers](#)



Parity for Main Street Employers

@MainStEmployers



Thread (1-5) with the bottom-line for @MainStEmployers on the final @USTreasury & @IRSsmallbiz #199A #QBI deduction regs. ->

2:56 PM - 30 Jan 2019

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1



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1/ #199A is now an essential feature of the tax code for business #taxparity. The new rules form a foundation from which to build. To increase its economic impact, Congress now needs to make the QBI deduction broader, simpler, and permanent.->



1



Parity for Main Street Employers @MainStE... · Jan 30



2/ @USTreasury & @IRSsmallbiz did a good job of getting a workable set of rules out the door quickly based on a complicated law, and the rules embraced some taxpayer-friendly ideas.->



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3/ Allowing multiple businesses to be aggregated together & providing an option to claim the deduction at the entity--rather than taxpayer--level will help make #199A workable for most businesses.->



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4/ The #199A regs though were also a missed opportunity to take some of the roughest edges off a complicated and limited law. The biggest: a narrow reading of the law's exclusion of service industries (SSTB's) from the deduction.->



1



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5/ Treasury did provide two "outs" from the blanket restriction: a low de minimis threshold for non-qualified activities; and the ability to segregate disqualified services into a separate "trade or business." Both will help, but also increase burden on the taxpayer.

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